



**Submission**

**to**

**Senate Standing Committee  
Parliament of Australia**

**Inquiry into Container Deposit Schemes**

**October 2012**

**Submission from KESAB *environmental solutions*  
South Australia**

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## **Inquiry into Container Deposit Schemes**

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### **Terms of Reference**

**The pricing and revenue allocation practices of the beverage industry in the container deposit schemes operating in South Australia and Northern Territory, including;**

- a. management of the operation of container deposit schemes in South Australia and the Northern Territory;
- b. the cost structure of the beverage industry's involvement in these container deposit schemes;
- c. the use of unredeemed deposits and unused handling and transport fees;
- d. alternative scheme structures which ensure beverage producers cannot pass on unreasonable costs from these recycling schemes if such schemes are implemented in additional states or nationally;
- e. structures to ensure schemes managed under the *Product Stewardship Act 2011* do not result in producers passing on unreasonable costs; and
- f. any other related matters

## About KESAB

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Keep South Australia Beautiful (Incorporated in 1966) is an NGO with objectives to;

- Inspire, influence and advocate for environmental sustainability.
- Provide support through education, innovation, engagement and research.
- Deliver effective partnerships and programs ensuring mutually beneficial environmental outcomes.

KESAB is a founding Member of the Keep Australia Beautiful National Association.

During the early nineteen seventies “one trip, light-weight” packaging emerged replacing refillable beverage containers resulting in increased litter and environmental pollution. Combined an influx of take away (convenience) food and alfresco consumer outlets, life style and behaviour patterns rapidly changed and litter pollution escalated to new heights.

KESAB developed targeted business and government partnerships with objectives to engage the community to better dispose of, and increase awareness about the impacts of litter pollution, and encourage stronger stewardship roles by food and beverage packaging manufacturing sectors.

KESAB designed the Australian benchmark litter measurement methodology and today an updated data set is used nationally to measure litter trends through Keep Australia Beautiful National Association (National Litter Index). In South Australia the Litter Index monitors s performance of Container Deposit Legislation (CDL) items in the litter stream.

Facilitating leading community education across Australia and South Australia for 45 years KESAB has developed considerable understanding, knowledge and skills of litter, waste management and resource recovery issues including CDL operating systems.

KESAB delivers Service Level Agreements in partnership with Zero Waste SA, Aboriginal Affairs, Department Planning, Transport and Infrastructure and Natural Resource Management Boards engaging community, business and schools and supporting South Australia’s high performance recycling and resource recovery outcomes.

Education and community engagement programs include Litter Less Teachers Resource, Wipe Out Waste Schools, Road Watch Community, Clean Site Building & Construction, Sustainable Cities and Communities Awards, Clean Marine and the APY Lands PALYA Tidy Communities, Litter Index and litter abatement campaigns including Butt Free Australia and Wingfield Interpretive Centre.

Beverage container recycling rates in South Australia outstrip all Australian jurisdictions (average receive a very high level community support (94%) and achieves the lowest beverage container litter rate. \* Ref: McGregor Tan Feb 2009, 2011.

In February 2012 the Northern Territory commenced an alternative Container Deposit System (CDS) model. Operating for 6 months data is currently being collated to review its success (or otherwise).

A national approach to increase resource recovery, beverage container recycling and strive for less litter is highlighted by KESAB as an urgent need nationally to underpin improved systems to engage the community and achieve consistent recovery rates and sustainability outcomes.

## Submission

### Response to Terms of Reference

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#### **a. management of the operation of container deposit schemes in South Australia and the Northern Territory;**

South Australian Container Deposit Legislation was introduced 35 years ago (1977).

The Management system embraces the Regulator (EPA), Super Collectors (Beverage Industry), Licenced Recycling Depots (110+ in SA) and community working together to achieve the highest beverage container return rates in Australia.

Collection rates and community support in South Australia demonstrate high community commitment and acceptance of the system. \*Research highlights the success of CDL recovery rates and litter reduction compared to other jurisdictions. \*McGregor Tan Research Feb 09(6584) and Oct '11 (9483)

The process for all intentional purposes appears seamless on the surface.

However, combined with the continued evolution of “new age” beverage container products in the market place, container technology, and aggressive opposition to CDL in South Australia by beverage industry sectors, opportunities to maximise recovery and recycling impede higher performance outcomes.

**NB:** Northern Territory CDS commenced February 2012 and only limited data is available. Anecdotally the NT system is already achieving an estimated 40 – 45% recovery rate but there are issues with handling fees, transport arrangements and coordination agreements between stakeholders.

Collection and processing through recycling depots could be significantly enhanced if the beverage industry sectors adopted a contemporary and accepted environmental resource recovery principles and practices relative to “true” product stewardship recognising what the community demands and positive environmental impacts to meet new resource recovery targets.

One example is the number of “splits” industry demands in the sorting of containers impacting on inefficiencies during separation process and transport.

There are numerous examples of beverage industry promoting miss-leading and simply wrong information in the public domain seeking to undermine CDL, the most recent being an advertising campaign along the eastern seaboard in August touting CDL would add 20c to consumer purchase items, and was “another tax”. A deposit is refundable subject to consumer choice to return the empty item and redeem the deposit. The handling fee is built into the purchase price ie; the consumer pays. Neither amount is a tax.

On another front South Australia is disenfranchised by the beverage industry who choose not to support KESAB community based programs based on the premise of “you have container deposits”. KESAB is aware of other organisations including Surf Life Saving seeking community grants being denied success in South Australia because of the CDL “excuse”.

It is unfortunate the South Australian CDL and Northern Territory CDS models do not have common regulatory interface and ability to operate in sync. This may be a future consideration by respective State and Territory Legislators.

Product entering South Australia from Victoria and New South Wales (and Northern Territory until recent CDL implementation) impacts negatively on the system and allows free riders to profit. On a positive note this practice clearly shows the extent close cross border interstate communities respond to the benefits of CDL.

**NB:** It is not the intent of this submission to include economic evaluation or data. There are already numerous economic evaluation and reports available to the Committee.

We base the submission on knowledge and understanding of the current debate on Container Deposit Systems throughout Australia and observations over 20 years of government, commerce and industry and community response the South Australian model.

## **b. The cost structure of the beverage industry's involvement in these container deposit scheme;**

The South Australian system is a 35 year old model that has endured significant changes to current day.

Product range and technological advancement, marketing and consumer patterns have changed significantly along with increased volumes and population. Product Stewardship and regulatory approaches (Australian Packaging Covenant and Packaging Stewardship Forum) have also impacted on how the system works and engages with the community ie; the consumer.

The CDL framework in South Australia significantly enhances overall recycling and resource recovery through both recycling depot and kerbside collection. The network of recycling depots (110 in SA) are more than just CDL depots and collectively process tens of thousands of tonnes or non CDL recyclables.

The “cost structure” of the beverage industry involvement in CDL applies to three distinct layers.

### **1. Consumer**

CDL is a pay as you go system wherein the individual that consumes has a choice to recycle and recover the 10c. The person who chooses to litter or pollute forfeits their 10c.

The 10c deposit and handling fee is embraced in the retail cost. Our observation over 20 years is the consumer is not aware or concerned of the small built in handling fee. The incentive to redeem the 10c deposit is the prime outcome as demonstrated by an army of regular individual and groups / club container collectors.

Market forces play their role in determining the retail price and consumer choice to purchase respective products, not the 10c deposit.

### **2. Manufacturer (Filler)**

Beverage manufactures embraced within or outside the South Australian CDL regulatory approach have responsibility to play a part in litter and resource recovery stewardship.

Well before the Product Stewardship Act (2011) was enshrined the beverage industry poured millions of dollars into “voluntary” litter reduction and recycling schemes, always to hedge against CDL. The industry continues to do so through the various iterations of the Australian Packaging Covenant Council and Product Stewardship Forum. Before then it was the Beverage Industry Environment Council, Litter Recycling Association and Litter Research Association, but always a front for the beverage industry.

It is incorrect to single out CDL as a cost to consumers when it is a fact that the tens of millions of dollars expended by the beverage industry over the past three decades are included in product sale price of both CDL and Non CDL beverage products. The consumer pays either way.

Invariably it has been community organisations such as KESAB , Keep Australia Beautiful and Clean Up Australia Day and who have driven litter reduction campaigns and sought to improve recycling, dragging the beverage industry (and others) along kicking and screaming preferring to promulgate the non-regulatory approach with outcomes of not meeting targets and achieving recovery rates and community engagement evident through CDL.

The major Super Collectors in SA interestingly are owned and operated by the beverage manufacturers. These companies receive high market commodity prices due to reduced contamination and quality of product thereby adding profit to the bottom line in addition to unredeemed deposits held by them..

### **3. Recycling Depot & Council Kerbside**

Recycling Depots in South Australia provide a significant “value adding” to overall recycling and resource recovery rates. Contrary to ongoing and miss leading information through the beverage industry lobby groups, both depots and kerbside work side by side in South Australia. This provides an economy of scale maximizing beverage container recovery through two systems plus additional non CDL resources including cardboard, metals, plastic, batteries, e waste and glass (wine and non beverage).

In addition many depots provide a pickup service to hotels, restaurants and sports clubs ensuring generation of cash through redeemed deposits which is returned to the benefit the community.

Whilst the NT CDS system is at a stage of infancy and data is yet to be fully assessed re the first 6 – 8 months operations, there are a number of anecdotal issues to highlight.

These issues include, but are not restricted to;

- The issue of legacy beverage containers eg; product stock piled prior to CDS being implemented
- Arguably too many coordinators approved in NT to process beverage containers
- Failure to legislate or fix handling fees
- Cost of transport in remote areas to return product
- Poor engagement by regulator process leading to implementation of CDS
- Industry intervention to de rail the NT CDS system
- Reports of profiteering through increased sale price of beverage product

Despite these apparent down sides a recovery rate approaching 45% has already been achieved in the NT which by any calculation is a huge improvement on resource recovery and recycling and less litter pollution.

In summary, whatever resource recovery system is delivered there are costs that are shared across the three levels of consumer, manufacturer and recycler.

Similarly there are un-recognised cost benefits including less litter, increased resource recovery across the board, high community acceptance and participation and an upfront user pays approach. The polluter also pays if choosing not to redeem the deposit.



**c. the use of unredeemed deposits and unused handling and transport fees;**

Based on beverage container recovery rates in South Australia (estimated 660 million containers per annum 85%) there remain unredeemed deposits on 100 million containers valued at approximately \$10 million per annum.

The unredeemed deposits cover the cost of the South Australian CDL system albeit as recovery rates increase operating surpluses through this source of income are reduced.

The South Australian CDL deposit value was increased from 5c to 10c in 2008 resulting in instance increased recovery rate of beverage containers.

Similarly the littering rate of CDL items in the total litter stream fell by \*40%, from 3.2% to 1.9% May '12 (McGregor Tan Litter Index 7239).

Discussion of unredeemed deposits is taboo when raised with the beverage industry which administers both the 10c applied to the wholesale/ retail price and handling fee negotiated with recycling depots. This issue and lack of available data reflects the negative approach and stance of the beverage industry sector.

The argument mostly rebuts any suggestion of unredeemed deposits being a profit centre to run the system.

A second rebuttal by industry states that the rest of Australian consumers cover the cost of the South Australian CDL system (we assume this principle applies to the NT CDS as well. The fact of industry conveniently overlooking the millions of dollars built into consumer costs to oppose CDL and promote voluntary recycling and litter reduction schemes is not lost on KESAB and other South Australian stakeholders.

It should be noted that in addition to unredeemed deposits and “contractual” handling fees negotiated with depots, the Super Collectors sell the glass, aluminium, LPB and Plastic (PET) based on global commodity prices thereby adding to the overall business case by millions of dollars.

Whilst the Super collectors are highly mechanised it is not the case with many recycling depots which due to scale of economy (remoteness, population and access by consumer) are labour intensive and working to a number of inefficiencies

**NB:** We do not understand the reference to “unused transport fees”.

It is assumed that transport fees are either applicable subject to negotiation with beverage industry and recycler relative to agreement or are a cost of doing business. There may be some profit taking in the transport of redeemed recyclables but market forces would play a role in minimising this opportunity.

**d. alternative scheme structures which ensure beverage producers cannot pass on unreasonable costs from these recycling schemes if such schemes are implemented in additional states or nationally;**

There are opportunities to review and remodel existing CDL(S) schemes based on evolving technologies, reviewing regulatory options and increasing engagement through community and business sectors.

The objective of any scheme is to achieve maximum beverage container recovery for recycling and reduce the impact in the litter stream.

It is often overlooked that the South Australian CDL was primarily implemented as a measure in response to increased litter due to the new “throw away convenience packaging” society.

Resource recovery was, until two decades ago, secondary focus escalating in priority through change of products and marketing, increased consumerism and improved technologies to recover and reuse recyclables that ultimately impact on finite resources and disposal to landfill.

Alternative CDL systems through Australia should be compatible (not necessarily the same), simple, accessible and ultimately have cross border (jurisdiction) application where appropriate.

Alternative schemes do not have to be greenfield ie; brand new or built from the ground up. There is considerable existing infrastructure that will support start up and underpinning or expansion of alternative schemes that may evolve in different jurisdictions.

However a key point is process or regulating, monitoring and administration of any CDL or similarly regulated system.

The preferred option should be an independent regulator with balance of government, industry and community equity. Appointing Dracula to manage the blood bank would not be the best outcome given the current beverage industry stance against any regulatory approach to beverage container recycling.

An alternative system may be more holistic than just focusing on beverage containers. If government and industry is serious about resource recovery and achieving best case outcomes there are opportunities to apply the principle of CDL embracing numerous other consumer products, examples being kitchen, laundry and industrial containers, phone batteries and wine bottles?

The above option may provide an improved economy of scale and will have a positive outcome of less waste disposal to landfill, increased recycling and reduced impact on finite resources.

A further benefit will be the potential to reduce litter and therefore negate the simplistic view taken by the Packaging Stewardship Forum and industry sectors that the answer is to spend tens of millions of dollars on a National Bin Network

**e. structures to ensure schemes managed under the *Product Stewardship Act 2011* do not result in producers passing on unreasonable costs; and**

*The Product Stewardship Act 2011 provides a framework for reducing the environmental and other impacts of products, and for related purposes.*

Essentially the Act seeks to accredit voluntary product stewardship arrangements or alternatively and subject to product, enter a co-regulatory arrangement to achieve specified outcomes. A final alternative is to regulate Mandatory product stewardship.

The Australian Packaging Covenant Council, representing major packaging manufacturers, provides a case study of a joint voluntary and co-regulatory model that is workable, engages all stakeholders and has potential to achieve positive environmental outcomes.

The APCC model also embraces a wide range of packaging; many item types unsuitable or workable through a CDL system eg; fast food, cigarette butts, foam containers, mixed plastics.

A revised model is currently under negotiation between industry and government. It is noted that the beverage industry sector vehemently opposes CDL as an inclusion in their working model 2015 – 2020 and beyond.

A benefit of CDL is that the current materials collected (aluminium, PET, glass, LPB) attract high commodity market values as opposed to other potential recyclables that could be embraced within a CDL system.

By proposing optional environmental programs or other initiatives there must be measures embraced to ensure targets and objectives are achieved. The alternative is that consumers will bear the brunt of built in costs ultimately with little environmental outcome, and respective industry sectors failing to meet objectives of stewardship regulations.

Stewardship does not negate the option for the beverage industry to embrace a CDL approach within supporting programs. Costs of any proposed stewardship scheme will be passed on to consumers and therefore must be transparent.

The above points to some structured level of intervention to monitor whatever the agreed scheme(s) implemented ie; voluntary, regulatory or mandatory under a stewardship approach.

Minimal monitoring and/or targets with no cost incentive will lead to targets not being achieved.

High level monitoring by government will come at an economically unacceptable and over regulated cost, resulting in higher prices to consumers, again with no guarantees of reaching resource recovery targets. This has been demonstrated in the past.

Either way there will be costs incurred by consumers, or some type of advanced purchase fee remains the preferred option. A CDL system in our view is an advance purchase fee.

It is therefore imperative that a balanced co-regulatory approach be considered by stakeholders as guiding principle of any Stewardship framework.

**f. any other related matters**

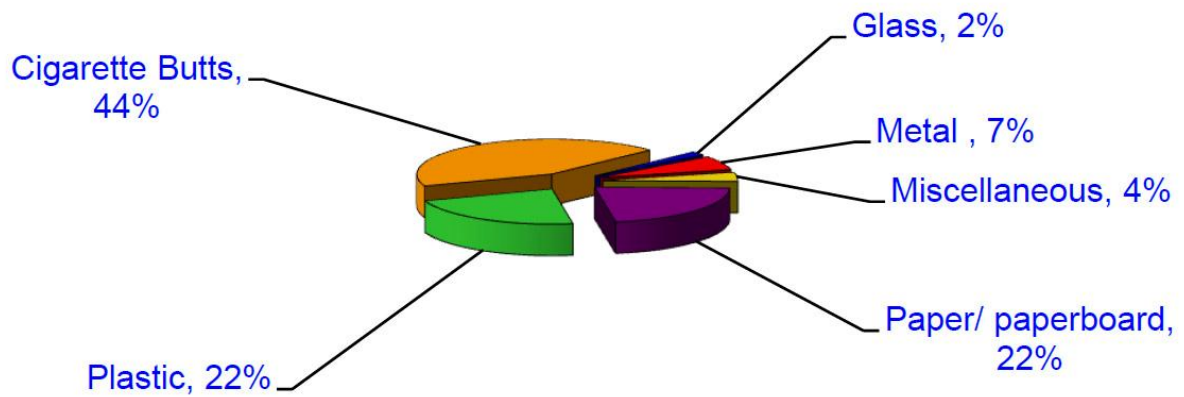
A few observations re CDL

- CDL is complimentary to positive community engagement and education supporting broader resource recovery action
- Schools, sports clubs, and community groups benefit from deposit returns
- CDL provides additional benefit / incentive to public space recycling
- CDL provides employment opportunities
- CDL services recycling at the local level
- CDL processing (separation and handling) generates the highest quality and least contaminated product for re-processing
- CDL and kerbside collections work hand in hand
- Contrary to statements by industry re high profile brands loosing sales or market share due to CDL, sales continue to be strong and threats are more likely to do with market share based on consumption habits, advertising and competition than the impact of CDL.

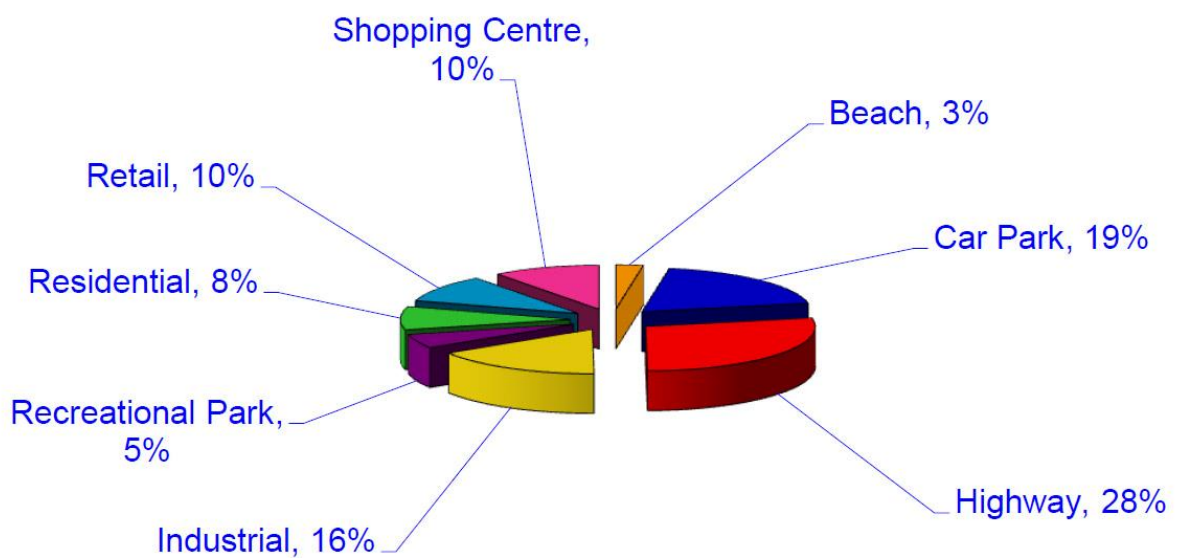
**Appendix**

**Reference: KESAB Litter Index Wave 57 May 2012**

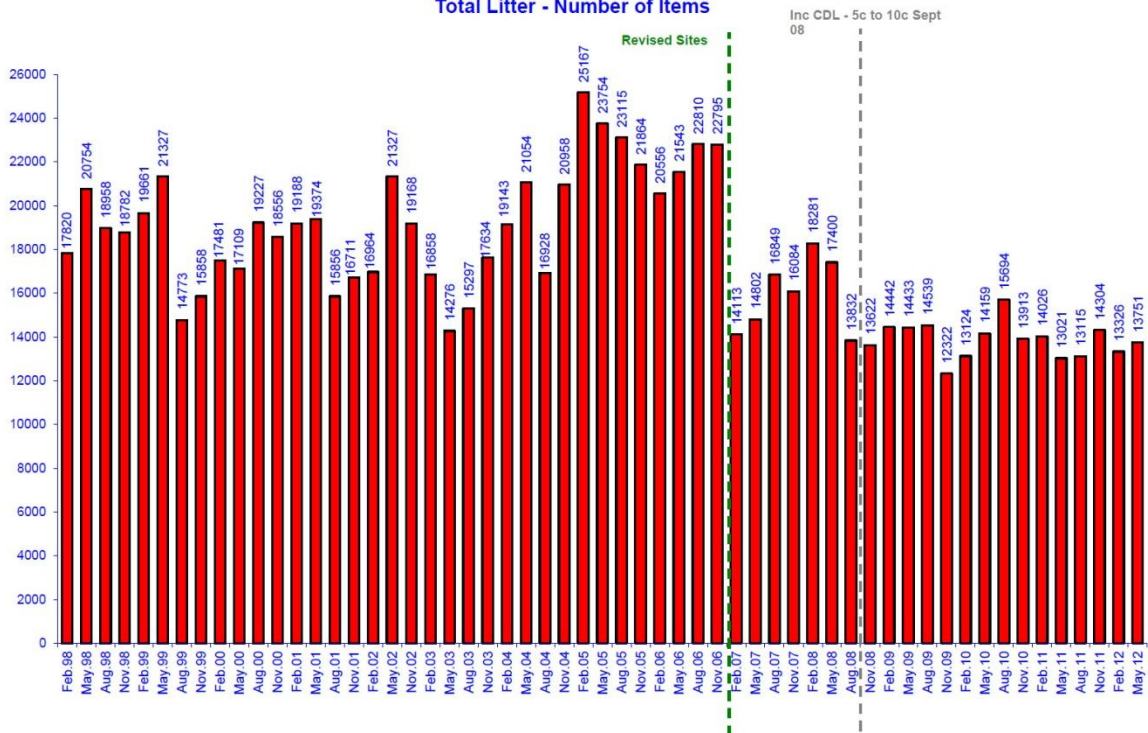
**Items as Proportions of Total by Material Type**



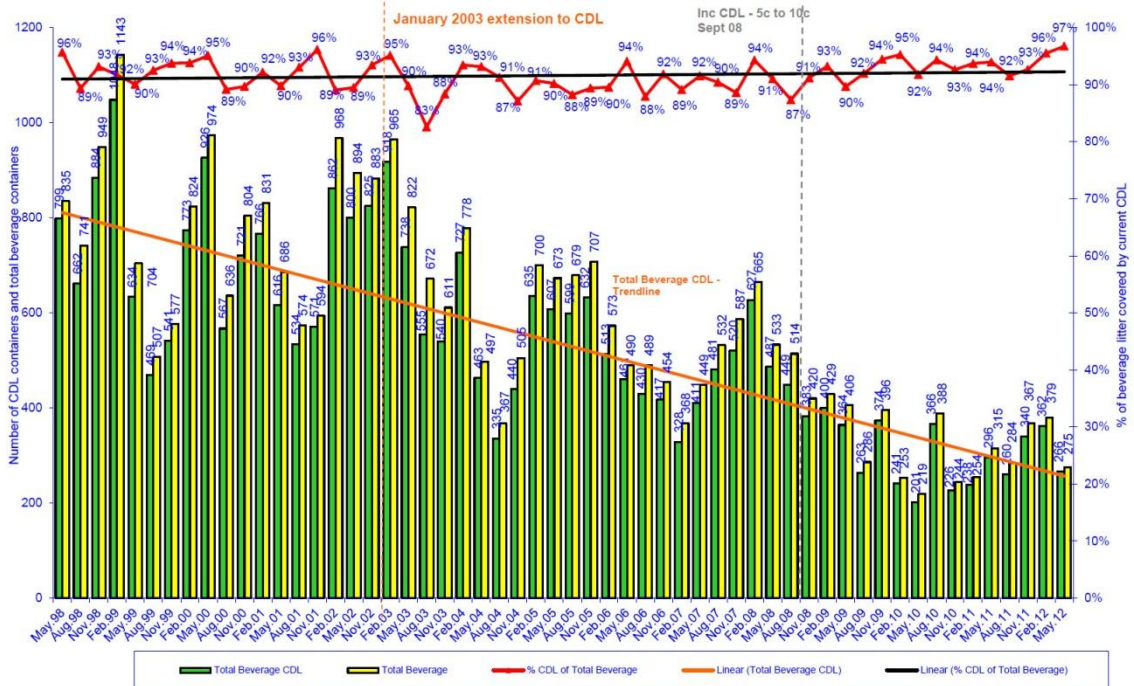
**PROPORTION OF TOTAL LITTER ITEMS COUNTED WITHIN SITE TYPE**



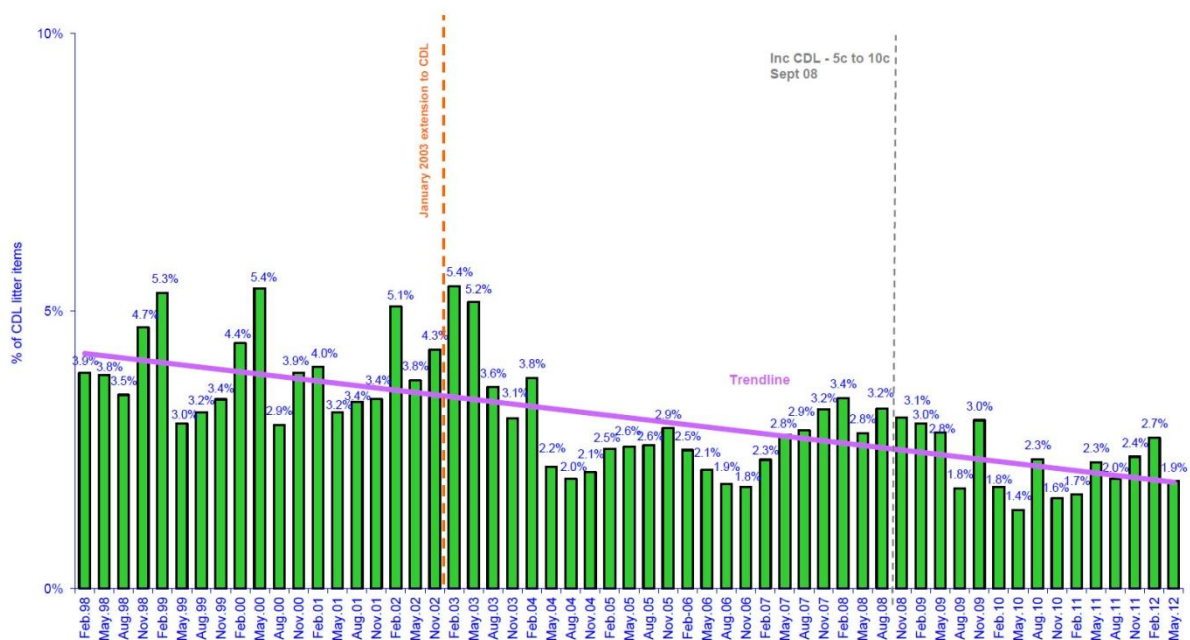
### Total Litter - Number of Items



### Proportion of Beverage Litter Covered By Current CDL & Total Number of Beverage Litter Items & Containers Covered By Current CDL



**Proportion of Current CDL Litter Items in Total Litter Stream**



**Reference: McGregor Tan Oct 2011**

The percentage of CDL items in the litter stream from NSW, Qld, NT, SA, Vic and WA

State/ Territory	2008/09	2009/10	2010/11
NSW	6.1%	7.1%	6.9%
NT	3.2%	4.3%	5.3%
QLD	5.3%	4.2%	5.0%
SA	2.7%	2.2%	1.9%
VIC	4.3%	7.1%	6.9%
WA	10.2%	9.7%	11.0%